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In the Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

AT&T CORPORATION,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR AMICUS CURIAE BAR OF DISTRICT OF COLUMBIA, PATENT, TRADEMARK & COPYRIGHT SECTION IN SUPPORT OF NEITHER PARTY

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BRIEF FOR *AMICUS CURIAE* BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA — PATENT, TRADEMARK & COPYRIGHT SECTION IN SUPPORT OF NEITHER PARTY

THE INTEREST OF *AMICUS CURIAE*

The Patent, Trademark & Copyright Section of the Bar Association of the District of Columbia ("Association") respectfully submits this brief as *amicus curiae* in support of neither party.[1]

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[1] This *amicus curiae* brief is presented by the Patent, Trademark & Copyright Section of the Bar Association of the District of Columbia under Supreme Court Rule 37.3(a). The parties have consented to the filing of this *amicus curiae* brief via blanket letters of consent on file with the Court. In accordance with Supreme Court Rule 37.6, *amicus curiae* states that no counsel for a party authored any part of this brief. Only this *amicus curiae* made a monetary contribution to the preparation and submission of this brief. Counsel for *amicus curiae* prepared this brief on a *pro bono* basis.

The Association is one of the senior-most intellectual property bar associations in the United States, drawing its membership from government, industry and private practice. The Association and its members have a substantial interest in the adjudication of significant issues defining our patent laws, and only submit *amicus curiae* briefs when issues of such magnitude arise.

SUMMARY OF ARGUMENT

In order to avoid unintended consequences on foreign relations and policy, this Court traditionally construes the patent statute narrowly to avoid covering international activity absent clear Congressional intent to the contrary. Such judicial restraint has allowed Congress to carefully tailor the patent statute to achieve the proper balance among domestic and international priorities. Recent decisions by the Federal Circuit, however, have cast-off judicial restraint and ushered in a new era of judicial activism that drastically extends the extraterritorial reach of U.S. patent law into international activity. Rather than seek clear Congressional guidance, the Federal Circuit has assumed the role of making the tough international policy decisions that arise when the plain statutory language does not address accused infringing activities abroad. In this case, for example, the Federal Circuit broadly construed the statute beyond its plain meaning in order to cover the new exigencies presented by software technology. It is not clear what consequences this judicial extension will have on the domestic software industry that may find increased liability under U.S. patents and a backlash of liability under international patents as other countries react to impose similar liability into U.S. borders. Accordingly, the BADC recommends this Court return to Congress the important task of balancing international policies by reinstating long-standing precedent that requires the courts to narrowly construe the international reach of

U.S. patent law absent clear Congressional intent to the contrary.

ARGUMENT

A person infringes a U.S. patent under 35 U.S.C. 271(f)(1) by "suppl[ying] . . . from the United States all or a substantial portion of the components of a patented invention . . . [so] as to actively induce the combination of such components outside of the United States." (emphasis added) § 271(f)(2) states that is it an act of direct infringement to "suppl[y] . . . any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article." (emphasis added). While each sub-provision contains a modifier for the term "component," there is none for the term "suppl[y]."

The Federal Circuit in *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366 (Fed. Cir. 2005), however, construed the term "supply" broadly to encompass advances in technology. "Supply" in the context of software, according to the Federal Circuit, means to "essentially supply." *Id.* at 1370. As further discussed below, the Federal Circuit ended its analysis too soon when it failed to consider the admonitions of this Court to interpret narrowly the extraterritorial reach of patent laws so as to avoid unintended consequences on foreign relations and policy.

In its recent decisions implicating the extraterritorial reach of the patent laws, the Federal Circuit has consistently ignored this Court's guidance. *Microsoft* is not the only case in which the Federal Circuit stretched the patent laws to cover accused activity. We summarize a continuing pattern of Federal Circuit construction of patent law that suggests that the Federal Circuit has no guideposts to resolve extraterritoriality issues in view of evolving and complex technology. The Federal Circuit need only be reminded that

despite advancements in the subject matter of patented technology, the very same principles that applied in this Court's precedent are alive today.

A. This Court's Precedent Mandates a Narrow Interpretation of Patent Laws That Have Extraterritorial Effect

1. This Court Refused to Stretch the Reach of Our Patent Laws in *Deepsouth*

In *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 522 (1972), this Court considered whether § 271(a) applied to an accused infringer who assembled all but two components of a patented invention within the United States, and then shipped all of the components overseas for assembly.

Under §271(a), "whoever without authority makes, uses . . . or sells any patented invention, within the United States" directly infringes a patent. The invention claimed the combination of parts, and by shipping disassembled components, the invention as claimed was not technically "made" within the United States. The accused infringer understood and exploited this difference. *Id.* at 524, n.5.

The Fifth Circuit found liability by labeling the infringer's activity as the "substantial" manufacture of the invention. *Id.* at 527. "In the Fifth Circuit panel's opinion, [other] courts that previously considered the question worked themselves into . . . a conceptual box by adopting an artificial, technical construction of the patent laws, a construction, moreover, which in the opinion of the panel, (subverted) the Constitutional scheme of promoting the Progress of Science and useful Arts by allowing an intrusion on a patentee's rights." *Id.* at 525 (internal quotes omitted).

This Court, however, refused to stray from the plain language of § 271(a), which applied to one who "makes" – not "substantially makes" – a patented invention in the United States. While acknowledging the apparent loophole in § 271(a), this Court refused to impose liability where § 271(a) did not expressly do so. This Court rebuffed criticism that its conclusion was "too narrow and technical an interpretation of the statute," and held that it "we should not expand patent rights by overruling or modifying our prior cases construing the patent statutes, unless the argument for expansion of privilege is based on more than mere inference from ambiguous statutory language. We would require a clear and certain signal from Congress" before judicially expanding U.S. patent rights. *Id.* at 529, 531. *See also*, *Parker v. Flook*, 437 U.S. 584, 596 (1978) ("[i]t is our duty to construe the patent statutes as they now read . . ., and we must proceed cautiously when we are asked to extend patent rights into areas wholly unforeseen by Congress.")

The *Deepsouth* court was right. In response to *Deepsouth*, Congress did not merely change § 271(a) from "make" to "substantially make" a patented invention. Rather, Congress debated and crafted the complex provisions of Section 271(f)[2] (see complete text in footnote) that has

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[2] Section 271(f) states:

> (1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.
>
> (2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in

several substantive and procedural protections before liability attaches. No telling what harm this Court would have wrought had it not exercised the proper judicial restraint. Lessons learned from *Deepsouth* are that Congress, and not the judiciary, must address an expansion of the extraterritorial reach of our patent law.

2. This Court Considers Consequences on Foreign Policy and Relations

When considering even a plain meaning construction of a statute, this Court has accounted for the consequences of its construction and evaluated whether Congress intended the ramifications that would be wrought. Importantly, the Federal Circuit must not become the arbiter of foreign relations and policy for patent law through extraterritorial application.

In *Brown v. Duchesne*, 60 U.S. (19 How.) 183 (1856), a French schooner that voyaged between Boston and a colony of France, and had docked in Boston, was using an invention related to the rigging of a sailing ship. *Id.* at 193. The patent owner sued because the French schooner was using the invention in the United States, an activity that fell squarely within the plain text of the patent statute. A straight-forward construction of the statute without any heed to the international implications of such a construction would

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the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

have led to liability for foreign vehicles docked in American shores: "The general words used in the clause of the patent laws granting the exclusive right to the patentee to use the improvement, taken by themselves, and literally construed, without regard to the object in view, would seem to sanction the claim of the plaintiff." *Id.* at 194. Nevertheless, this Court held that the patent owner had no cause of action against the master of a French schooner.

This Court eschewed a plain meaning analysis of the patent law, and held that an interpretation of a patent right so broad as to label the French vessels' use of the invention as infringing "would confer on patentees not only the rights of property, but also political power, and enable them to embarrass the treaty-making power in its negotiations with foreign nations, and also [] interfere with the legislation of Congress when exercising its constitutional power to regulate commerce." *Id.* at 197. Accordingly, absent such intent by Congress, the Court refrained from construing the patent laws broadly. As in *Deepsouth*, Congress gave a clear signal codifying the holding in *Brown* in 1952. 35 U.S.C. 272 now states in relevant part that the use of an invention in any vessel, aircraft, or vehicle of any country, entering into the United States temporarily shall not constitute patent infringement if the invention is used exclusively for the needs of that vehicle.

B. The Federal Circuit Overstepped Its Authority in Broadly Interpreting Section 271(F)

In a series of cases, the Federal Circuit has expanded the international reach of U.S. patent law without a clear signal from Congress and without consideration of the ramifications of its decision. The issue here is not whether the end result of judicial activism is reasonable – it may be that Congress amends the statute to reach the same result

after exercising the full panoply of legislative investigation, debate and tough policy choices. The issue, rather, is whether the courts or Congress should act in the first instance when international activity does not clearly fall within the current statutory scheme.

1. NTP v. Research In Motion, Ltd.

In *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), the Federal Circuit broadly construed §271(a) to cover accused infringing activity that occurred, at least in part, outside of the United States. Section 271(a) imposes liability whenever one "makes, uses, offers to sell, or sells, any patented invention, within the United States." (emphasis added). The Federal Circuit recognized that "[t]he grammatical structure of the statute indicates that 'within the United States' is a separate requirement from the infringing acts clause." *Id.* at 1315.

Defendant Research in Motion ("RIM") argued that it was not liable for direct infringement under §271(a) because it did not use the invention "within the United States." *Id.* at 1314. Part of the RIM accused system was in the United States and part was located in Canada. As such, some of the system operated here and other parts operated outside the United States.

Section 271(a) does not expressly account for the location of different components in combination patents, as acknowledged by the Federal Circuit. Indeed, the Federal Circuit conceded that "it is **unclear** from the statutory language how the territoriality requirement limits direct infringement where the location of at least a part of the 'patented invention' is not the same as the location of the infringing act." *Id.* at 1315 (emphasis added).

Despite the ambiguity in the statute, ignoring the admonition to "construe the patent statutes as they now read," and without a clear signal from Congress, the Federal Circuit fashioned a new control and beneficial use test for patent liability in order to cover the accused infringing activity. *Id.* at 1317. The control-beneficial test is analogous to use that is "essentially," "substantially," or "in effect" within the United States. In short, the Federal Circuit strayed from this Court's precedent by modifying the statute via "statutory construction" to cover what international activity it saw fit to cover, rather than seek clear Congressional guidance.

2. Union Carbide Chemicals & Plastics Technology Corp v. Shell Oil Co.

In *Union Carbide Chems. & Plastic v. Shell Oil Co.*, 425 F.3d 1366, 1378-79 (Fed. Cir. 2005), Shell Oil supplied an unpatented catalyst to its own foreign subsidiaries to be used abroad in a process patented in the United States. The district court excluded damages based on the sale of the catalyst because it held that §271(f) did not apply to process claims.

The Federal Circuit remanded for additional findings as to whether Shell could be liable under §271(f). In its decision, the Federal Circuit did not mention *Deepsouth*. Nor did that court consider the intent of Congress when it enacted §271(f) or even discuss the consequences of a broad interpretation of that provision.

Nothing in §271(f) states that a component, to be used in a step of a process, subjects a party to liability. Nevertheless, the Federal Circuit stretched 271(f) to cover Shell Oil's shipment of a catalyst for use in a patented process to be performed outside the United States.

3. AT&T v. Microsoft

In *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1367 (Fed. Cir. 2005), Microsoft transmitted master versions of object code abroad to foreign computer manufacturers who replicated the code and installed foreign-made copies on foreign-assembled computers. The Federal Circuit ruled that the shipment of the master version of a software disk exported from the United States led to liability for each copy under Section 271(f): "All of such resulting copies have *essentially* been supplied from the United States." *Id.* at 1370 (emphasis added). It explained that copying of a master version, is part and parcel of software distribution. *Id.* Therefore, "for software 'components,' the act of copying is subsumed in the act of 'supplying,' such that sending a single copy abroad with the intent that it be replicated invokes § 271(f) liability for those foreign-made copies." *Id.*

The Federal Circuit's holding was grounded in the fact that § 271(f) must be interpreted in a manner that is appropriate to the technology at issue, and so that the statutes remain effective in light of rapidly changing technology. *Id.* at 1371.

Without discussion as to whether the Federal Circuit properly construed "supply," it is abundantly clear that the statute does not impose liability for "essentially" or "substantially" supplying a component. Either § 271(f) covers Microsoft's conduct or it does not. Absent a clear and certain signal from Congress, the Federal Circuit's interpretation of § 271(f) impermissibly expanded its reach.

C. The Federal Circuit's Analysis Did Not Consider TRIPS

The United States must honor its treaty obligations under the World Trade Organization's Agreement on Trade-

Related aspects of Intellectual Property Rights ("TRIPS"). Judge Rader in his dissent in *Microsoft* notes that the majority's decision may violate the international treaty, TRIPS, which mandates that all inventions be treated in the same manner. *Id.* at 1374 (Rader, J., dissenting). "Patents shall be available and patent rights enjoyable without discrimination as to the place of invention [] [and] the field of technology . . . ." (emphasis in original). *Id.*

Again, the majority decision of the Federal Circuit is guided by the software technology in dispute. Liability based on technology may violate the U.S. obligations under TRIPS. Regardless of whether a violation of TRIPS has occurred, the Federal Circuit should be cognizant of possible missteps that would cause the United States to suffer international repercussions. This is precisely why Congress, not the courts, should be the first to act in instances where the current statutory scheme does not clearly cover international activity.

CONCLUSION

The BADC respectfully requests this Court reconfirm its long-standing precedent that narrowly construes the patent statute to avoid covering international activity absent a clear indication from Congress to the contrary.

Respectfully submitted,

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